

**Form 603**  
Corporations Act 2001  
Section 671B

**Notice of initial substantial holder**

To Company Name/Scheme Danakali Limited

ACN/ARSN 097 904 302

**1. Details of substantial holder (1)**

Name AFC Equity Investments Limited (AFC Equity) and Africa Finance Corporation (AFC)

ACN/ARSN (if applicable) Not applicable

The holder became a substantial holder on 10 / 12 / 2019

**2. Details of voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary shares	52,958,908	52,958,908	16.63% (based on 318,546,306 ordinary shares on issue)

**3. Details of relevant interests**

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
AFC Equity	Relevant interest under section 608(1) of the <i>Corporations Act 2001</i> (Cth), being a relevant interest arising through AFC Equity being the registered holder of the shares (see Annexure "A" for further details).	52,958,908 ordinary shares
AFC	Relevant interest under section 608(3)(a) and/or section 608(3)(b) of the <i>Corporations Act 2001</i> (Cth), being a relevant interest held through a body corporate (AFC Equity) in which the voting power of AFC is more than 20% or which AFC controls.	52,958,908 ordinary shares

**4. Details of present registered holders**

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of Securities	Person entitled to be registered as holder (8)	Class and number of securities
AFC Equity and AFC	AFC	AFC	52,958,908 ordinary shares

**5. Consideration**

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
AFC Equity and AFC	10 December 2019	\$21,527,796.10	Nil	52,958,908 ordinary shares

**6. Associates**

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

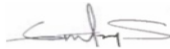
Name and ACN/ARSN (if applicable)	Nature of association
AFC Equity and AFC	AFC is an associate of AFC Equity pursuant to section 12(2)(a) of the <i>Corporations Act 2001</i> (Cth) as it controls AFC Equity.

**7. Addresses**

The addresses of persons named in this form are as follows:

Name	Address
AFC Equity	c/o Abax Corporate Services Ltd, 6 <sup>th</sup> Floor, Tower A, 1 CyberCity, Ebene, Mauritius
AFC	3a Osborne Road, Ikoyi, Lagos State, Nigeria
Danakali Limited	Level 11, 125 St Georges Terrace, Perth, WA 6000

**Signature**

print name	Ayotunde Anjorin	capacity	Authorised signatory
sign here		date	10 December 2019

**DIRECTIONS**

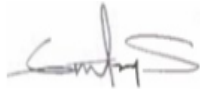
- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
  - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
  - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

THIS IS ANNEXURE "A" OF 43 PAGES REFERRED TO IN FORM 603 'NOTICE OF INITIAL SUBSTANTIAL HOLDER'.

SIGNATURE ON BEHALF OF AFC EQUITY:

*sign here*



*capacity*

Director

*print name*

Ayotunde Anjorin

*date*

10 December 2019

Execution version



Dated 2 December 2019

## Subscription Agreement

Parties

**Danakali Ltd**  
ACN 097 904 302

**AFC Equity Investments Limited**  
Registered number 118568 CI / GBL

Adam Edelman  
Norton Rose Fulbright Australia  
Level 30, 108 St Georges Terrace  
Perth WA 6000  
Tel: +61 8 6212 3220  
[www.nortonrosefulbright.com](http://www.nortonrosefulbright.com)  
Our ref: 4016506

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**Agreement** dated 2 December 2019

**Parties**      **Danakali Ltd** ACN 097 904 302  
of Level 11, 125 St Georges Terrace, Perth, Western Australia  
(**Company**)

**AFC Equity Investments Limited** (Registered number 118568 CI / GBL)  
of c/o Abax Corporate Services Ltd, 6<sup>th</sup> Floor, Tower A, 1 CyberCity, Ebene,  
Mauritius  
(**Subscriber**)

## Introduction

- A**      The Company is a public company limited by shares registered under the Corporations Act and incorporated in Western Australia. The Company is admitted to the official list of the ASX and the Main Market of the LSE.
- B**      The Company has agreed to issue and allot the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares to the Subscriber and, in reliance upon the representations, warranties and undertakings set out in this Agreement, the Subscriber has agreed to subscribe for the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares on the terms set out in this Agreement.

## It is agreed

### 1      **Definitions and interpretation**

#### 1.1      **Definitions**

In this Agreement, the following words have the following meanings unless the context otherwise requires:

- (1)      **Agreement** means this document, including its schedules and annexures;
- (2)      **Anti-Corruption Laws** means:
- (a)      in relation to the Subscriber, the applicable anti-corruption laws are:
- (i)      the United States Foreign Corrupt Practices Act;
- (ii)      the United Kingdom Money Laundering Regulations 2007;
- (iii)      the United Kingdom Proceeds of Crime Act 2002; and
- (iv)      the United Kingdom Terrorism Act 2000;
- (b)      in relation to the Company, the applicable anti-corruption laws are:
- (i)      the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth);
- (ii)      Division 70 and Part 7.6 of the *Criminal Code Act 1995* (Cth);
- (iii)      the United States Foreign Corrupt Practices Act;
- (iv)      the UK Bribery Act 2010;

- (v) the United Kingdom Money Laundering Regulations 2007;
  - (vi) the United Kingdom Proceeds of Crime Act 2002; and
  - (vii) the United Kingdom Terrorism Act 2000;
- (3) **Approval Condition** means the Tranche 2 Condition set out in clause 2.2(1);
  - (4) **ASIC** means the Australian Securities and Investments Commission;
  - (5) **ASX** means ASX Limited ACN 008 624 691 and where the context requires, the Australian Securities Exchange operated by ASX Limited;
  - (6) **ASX Listing Rules** means the official listing rules of the ASX (as amended or waived from time to time);
  - (7) **ASX Settlement** means ASX Settlement Pty Limited ABN 49 008 504 532;
  - (8) **ASX Settlement Operating Rules** means the settlement rules made by ASX Settlement and the provisions of the Corporations Act and ASX Listing Rules concerning the electronic share registration and transfer system;
  - (9) **Business** means the business conducted by the Group Companies;
  - (10) **Business Day** means a day that is not a Saturday, Sunday or any other day which is a public holiday or a bank holiday in the place where an act is to be performed or a payment is to be made;
  - (11) **Claim** includes a demand, claim, action, notice or proceeding, made or brought by or against a person, however arising and whether present, unascertained, immediate, future or contingent;
  - (12) **Cleansing Prospectus** means a prospectus issued by the Company in accordance with the requirements of section 708A(11) of the Corporations Act and which complies with Part 6D.2 of the Corporations Act;
  - (13) **Cleansing Statement** means the announcement to be made by the Company to ASX in accordance with section 708A(5)(e) of the Corporations Act, pursuant to and in compliance with section 708A(6) of the Corporations Act;
  - (14) **CMSC** means the Colluli Mining Share Company, which is a 50:50 joint venture between STB and the Eritrean National Mining Corporation;
  - (15) **Company Warranties** means the representations, warranties, undertakings and other obligations of the Company in this Agreement, including the warranties set out in Schedule 1;
  - (16) **Conditions** means the Tranche 1 Conditions and the Tranche 2 Conditions;
  - (17) **Corporations Act** means the *Corporations Act 2001* (Cth);
  - (18) **CTA** means the Common Terms Agreement relating to the Project to be entered into between, among others, CMSC, STB, the Company, African-Export-Import Bank and Africa Finance Corporation;
  - (19) **Danakali General Meeting** means the general meeting of the members of the Company to approve the issue of the Tranche 2 Subscription Shares to the

Subscriber, including (without limitation) for the purposes of item 7 of section 611 of the Corporations Act;

- (20) **Debt Documents** means the Project Documents and the Finance Documents;
- (21) **Disclosure Material** means:
- (a) all documents and information which were at any time during the period commencing on 26 August 2019 and up to 21 November 2019 contained in the Ansarada data room and Box data room made available to the Subscriber, its representatives and advisers; and
  - (b) all written answers given to written questions submitted by the Subscriber, its representatives and advisers in relation to the transactions contemplated by this Agreement;
- (22) **Encumbrance** means any mortgage, charge, lien, pledge, hypothecation or other encumbrance, including (without limitation):
- (a) a right, including a contractual right, an option, a right of first refusal, a right of pre-emption or other right, to acquire the property or to restrain any person from acquiring the asset;
  - (b) a right, including a lease, licence or other right, to occupy or use the asset; or
  - (c) an agreement to grant, create or register any of them or to allow any of them to exist,
- and whether the Encumbrance is registered or unregistered, statutory, legal or equitable;
- (23) **Expert Report** means the independent expert report to be prepared for the purposes of the shareholder approval required in relation to the Approval Condition under item 7 section 611 of the Corporations Act;
- (24) **Finance Documents** has the meaning given in the CTA;
- (25) **Governmental Agency** means any government and any governmental body, whether:
- (a) legislative, judicial or administrative;
  - (b) a department, commission, authority, instrumentality, tribunal, agency or entity; or
  - (c) commonwealth, state, territorial or local,
- and includes a stock exchange on which a party is listed and any self-regulatory organisation established under any law but excludes a governmental body in respect of any service or trading functions as distinct from regulatory or fiscal functions;
- (26) **Group** means each Group Company;
- (27) **Group Companies** means the Company and each of its Subsidiaries, and **Group Company** means any one of them;



- (28) **GST Act** means *A New Tax System (Goods and Services Tax) Act 1999* as amended;
- (29) **Insolvency Event** means the occurrence of any of the following in relation to a person:
- (a) it is wound up, a resolution for its winding up has been passed or a meeting of members or creditors has been convened for that purpose;
  - (b) it is the subject of a winding up application which has been made to a court, or an event has occurred which would entitle any person to apply to a court to wind it up;
  - (c) it has proposed or taken any steps to implement a scheme of arrangement or other compromise or arrangement with any of its creditors;
  - (d) it is the recipient of a demand under section 459E of the Corporations Act or any corresponding or analogous provision governing that person in a jurisdiction outside Australia that is not set aside or complied with before the end of the relevant period for compliance with the demand;
  - (e) it is in receivership and or its assets are in the possession of or under the control of a mortgagee or chargee;
  - (f) it is subject to administration under Part 5.3A of the Corporations Act or any corresponding or analogous provision governing that person in a jurisdiction outside Australia;
  - (g) it is insolvent (as defined in section 95A of the Corporations Act) or any corresponding or analogous provision governing that person in a jurisdiction outside Australia;
  - (h) the Company board starts developing any course of action that would meet the requirements of section 588GA(1)(a) of the Corporations Act;
  - (i) a party enters into a deed of company arrangement; or
  - (j) a liquidator or provisional liquidator is appointed to a person;
- (30) **Loss** includes any damage, loss, cost, liability or expense of any kind and however arising (including as a result of any Claim), including penalties, fines and interest and including any that are prospective or contingent and any the amount of which for the time being is not ascertained or ascertainable, but excludes any indirect or consequential loss or loss of profits, however arising;
- (31) **LSE** means London Stock Exchange plc;
- (32) **Main Market** means the LSE's Main Market for listed securities;
- (33) **NOM** means the notice of meeting to be provided to members of the Company containing the resolution to approve the issue of the Tranche 2 Subscription Shares to the Subscriber, including (without limitation) for the purposes of item 7 of section 611 of the Corporations Act;
- (34) **Personnel** of a person means the officers, employees, contractors (including sub-contractors and their employees), professional advisers, representatives and agents of that person;

- (35) **Project** means the Colluli potash project located in the Danakil region of Eritrea, East Africa owned by CMSC;
- (36) **Project Documents** has the meaning given in the CTA;
- (37) **Shares** means fully paid ordinary shares in the capital of the Company;
- (38) **Share Equivalents** means preferred shares, bonds, loans, warrants, options or other similar instruments or securities which are convertible into or exercisable or exchangeable for, or which carry a right to subscribe for or purchase, Shares or any instrument or certificate representing a beneficial ownership interest in Shares, including global depository receipts or American depository receipts;
- (39) **STB** means STB Eritrea Pty Ltd ACN 137 639 359, a wholly owned Subsidiary of the Company;
- (40) **Subscriber Group** means the Subscriber and each of its Subsidiaries;
- (41) **Subscriber Warranties** means the representations, warranties, undertakings and other obligations of the Subscriber in this Agreement, including the warranties set out in Schedule 2;
- (42) **Subsidiary** has the meaning given to that term in section 9 of the Corporations Act;
- (43) **Tax** means taxes, duties, fees, rates, charges and imposts of all kinds assessed, levied or imposed by the Commonwealth, a state or any other government, regional, municipal or local authority (Australian or overseas) and includes capital gains tax, fringe benefits tax, income tax, prescribed payments tax, superannuation guarantee charge, PAYG withholding, undistributed profits tax, payroll tax, GST, group tax, land tax, import duty, excise, stamp duty, municipal and water rates, withholdings of any nature whatever imposed by a Governmental Agency, interest on tax payments and additional tax by way of penalty;
- (44) **Tax Act** means the *Income Tax Assessment Act 1997 (Cth)* or the *Income Tax Assessment Act 1936 (Cth)*, as the case may be;
- (45) **Tax Law** means a law with respect to or imposing any Tax;
- (46) **Tranche 1 Completion** means the completion of the issue and allotment of the Tranche 1 Subscription Shares in accordance with clause 5;
- (47) **Tranche 1 Completion Date** means:
- (a) the date which is 5 Business Days after the date of this Agreement; or
  - (b) any other date agreed in writing by the Subscriber and the Company;
- (48) **Tranche 1 Conditions** means the conditions set out in clause 2.1;
- (49) **Tranche 1 Conditions Deadline** means:
- (a) the date which is 1 month after the date of this Agreement; or
  - (b) any other date agreed in writing by the Company and the Subscriber;
- (50) **Tranche 1 Subscription** means the subscription for the Tranche 1 Subscription Shares on the terms of this Agreement;

- (51) **Tranche 1 Subscription Amount** means the amount equal to the Tranche 1 Subscription Price multiplied by the Tranche 1 Subscription Shares, and then converted into US dollars at the 'AUDUSD' exchange rate of 0.6775;
- (52) **Tranche 1 Subscription Price** means \$0.60 per Share;
- (53) **Tranche 1 Subscription Shares** means 52,958,908 Shares;
- (54) **Tranche 2 Completion** means the completion of the issue and allotment of the Tranche 2 Subscription Shares in accordance with clause 6;
- (55) **Tranche 2 Completion Date** means:
- (a) the date which is 5 Business Days after the date on which the last of the Tranche 2 Conditions are satisfied or waived under clause 2.6; or
- (b) any other date agreed in writing by the Subscriber and the Company;
- (56) **Tranche 2 Conditions** means the conditions set out in clause 2.2;
- (57) **Tranche 2 Conditions Deadline** means:
- (a) the date which is 6 months after the date of this Agreement; or
- (b) any other date agreed in writing by the Company and the Subscriber;
- (58) **Tranche 2 Subscription** means the subscription for the Tranche 2 Subscription Shares on the terms of this Agreement;
- (59) **Tranche 2 Subscription Amount** means the amount equal to the Tranche 2 Subscription Price multiplied by the Tranche 2 Subscription Shares, and then converted into US dollars at the 'AUDUSD' exchange rate of 0.6775;
- (60) **Tranche 2 Subscription Price** means \$0.60 per Share;
- (61) **Tranche 2 Subscription Shares** means the number of Shares determined in accordance with the following:

$$A = \frac{[(B/C) - D]}{E}$$

Where:

A = Tranche 2 Subscription Shares, rounded up to the nearest whole number of Shares

B = USD50,000,000

C = 0.6775

D = Tranche 1 Subscription Amount (in AUD)

E = Tranche 2 Subscription Price (in AUD/Share)

- (62) **UKLA** means the United Kingdom Listing Authority; and
- (63) **Voting Power** has the meaning given to that term in section 610 of the Corporations Act.

## 1.2 Interpretation

In this Agreement, unless the contrary intention appears:

- (1) Reference to:
  - (a) the singular includes the plural and the plural includes the singular;
  - (b) a recital, clause or schedule is a reference to a clause of or recital or schedule to this Agreement and references to this Agreement include any recital or schedule;
  - (c) a statute, ordinance, code or other law includes subordinate legislation (including regulations) and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
  - (d) a person includes an individual, a firm, a body corporate, an unincorporated association or an authority;
  - (e) time is a reference to Perth, Western Australia time;
  - (f) a day means a calendar day; and
  - (g) money (including “\$”, “AUD” or “dollars”) is to Australian currency, unless stated otherwise.
- (2) The meaning of any general language is not restricted by any accompanying example, and the words “includes”, “including”, “such as”, “for example” or similar words are not words of limitation.
- (3) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (4) Headings and the table of contents are for convenience only and do not form part of this Agreement or affect its interpretation.
- (5) If an act must be done on a specified day which is not a Business Day, the act must be done instead on the next Business Day.
- (6) A provision of this Agreement must not be construed to the disadvantage of a party merely because that party was responsible for the preparation of the Agreement or the inclusion of the provision in the Agreement.

## 2 Conditions precedent

### 2.1 Tranche 1 Conditions Precedent

The following Conditions must be satisfied (or waived in accordance with clause 2.6) before Tranche 1 Completion may occur:

- (1) **No Insolvency Event:** No Insolvency Event occurs in relation to any of the Group Companies; and
- (2) **No refusal to grant quotation:** The ASX not indicating to the Company that it will refuse to grant quotation of the Tranche 1 Subscription Shares or otherwise make quotation conditional on or before 10.00am on the proposed date of issue.

### 2.2 Tranche 2 Conditions Precedent

The following conditions must be satisfied (or waived in accordance with clause 2.6) before Tranche 2 Completion may occur:

- (1) **Approval Condition:** The members of the Company in a general meeting have approved by the appropriate majority the issue of the Tranche 2 Subscription Shares to the Subscriber, including (without limitation) for the purposes of item 7 of section 611 of the Corporations Act;
- (2) **Expert Report:** The Expert Report concludes that the issue of the Tranche 2 Subscription Shares is either (i) fair and reasonable; or (ii) not fair but reasonable;
- (3) **No refusal to grant quotation:** The ASX not indicating to the Company that it will refuse to grant quotation of the Tranche 2 Subscription Shares or otherwise make quotation conditional on or before 10.00am on the proposed date of issue;
- (4) **Use of Tranche 1 proceeds:** The Company must not have used the Tranche 1 proceeds for any purpose other than those purposes identified in Schedule 4;
- (5) **Debt Documents:** The Debt Documents have been duly executed and delivered by all parties to them; and
- (6) **Tranche 1 Completion:** Tranche 1 Completion has occurred.

### 2.3 **Obligation to co-operate**

- (1) Each party must co-operate with each other and do all things reasonably necessary to ensure that the Tranche 1 Conditions are satisfied as soon as possible but in any event before the Tranche 1 Conditions Deadline and the Tranche 2 Conditions are satisfied as soon as possible but in any event before the Tranche 2 Conditions Deadline.
- (2) Each party must:
  - (a) supply to the other party copies of all applications made and all information supplied for the purpose of enabling the Conditions to be satisfied; and
  - (b) keep the other party informed on a timely manner of the status of any discussions or negotiations with relevant third parties regarding the Conditions.

### 2.4 **Obligations regarding NOM**

Without limiting the generality of clause 2.3, the Company must give the Subscriber 5 Business Days to review and comment on an advanced draft of the NOM and consider in good faith any comments from the Subscriber on the NOM.

### 2.5 **Obligations to notify**

If a party becomes aware:

- (1) that a Condition has been satisfied;
- (2) that a Condition cannot be satisfied by the Tranche 1 Condition Deadline or Tranche 2 Condition Deadline (as the case may be); or
- (3) of any facts, circumstances or matters that may result in a Condition not being or becoming incapable of being satisfied,

that party must promptly notify the other party accordingly.

## 2.6 **Waiver of Conditions**

- (1) The Condition in clauses 2.1(1) is for the benefit of the Company and the Subscriber and may only be waived by written agreement of the parties.
- (2) The Condition in clause 2.2(2) is for the benefit of the Company and may only be waived by the Company (in its sole discretion), by giving written notice to that effect to the Subscriber.
- (3) The Conditions in clauses 2.2(4), 2.2(5) and 2.2(6) are for the benefit of the Subscriber and may only be waived by the Subscriber (in its sole discretion), by giving written notice to that effect to the Company.
- (4) The Approval Condition and the Conditions in clauses 2.1(2) and 2.2(3) may not be waived by either party.

## 2.7 **Failure to satisfy**

If any of the Conditions are not satisfied or waived under clause 2.6 by the Tranche 1 Conditions Deadline or the Tranche 2 Conditions Deadline (as the case may be) then, if a party has complied with its obligations under clauses 2.3 and 2.4 that party may terminate this Agreement by giving 5 Business Days' written notice to the other party.

## 2.8 **Rights on termination**

If this Agreement is terminated under clause 2.7 then, in addition to any other rights, powers or remedies provided by law or in equity:

- (1) subject to clause 2.8(2), each party is released from its obligations and liabilities under or in connection with this Agreement and this Agreement will have no further force or effect, other than under clause 1, this clause 2, clause 11 and clauses 14 to 26; and
- (2) each party retains the rights, remedies and powers it has in connection with any past breach or any claim that has arisen before termination.

## 3 **Issue and Subscription**

- 3.1 Subject to clause 2, the Company agrees to issue and allot the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares to the Subscriber and the Subscriber agrees to subscribe for the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares on and subject to the terms of this Agreement.
- 3.2 The Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares issued to the Subscriber must:
  - (1) be fully paid;
  - (2) be free from all Encumbrances; and
  - (3) rank equally in all respects with the other Shares on issue on the date of Tranche 1 Completion or Tranche 2 Completion, as the case may be.
- 3.3 The consideration for the issue and allotment of the Tranche 1 Subscription Shares is the Tranche 1 Subscription Amount and the consideration for the issue and allotment of the Tranche 2 Subscription Shares is the Tranche 2 Subscription Amount.

- 3.4 The consideration for the issue and allotment of the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares will be paid by the Subscriber to the Company in United States dollars.
- 3.5 The proceeds received by the Company for the issue and allotment of the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares are to be used in accordance with the detailed use of proceeds set out in Schedule 4 and must not be used for any other purpose without the prior written consent of the Subscriber.

#### **4 Conduct up to Completion**

- 4.1 From the date of this Agreement until Tranche 2 Completion, the Company must, unless the Subscriber otherwise agrees, ensure that each of the Group Companies:
- (1) carries on its business as a going concern:
    - (a) in the ordinary and normal course;
    - (b) with due care;
    - (c) following normal and prudent practice; and
    - (d) complying with all applicable laws;
  - (2) takes all reasonable steps to protect and maintain its material assets (including the goodwill of the Business);
  - (3) maintains its current liabilities at normal levels and discharges current liabilities as they fall due;
  - (4) collects receivables using, at the very minimum, the same method and policy as before the date of this Agreement;
  - (5) promptly notifies the Subscriber of anything of which it becomes aware that:
    - (a) has or may have a material and adverse effect on the conduct of its business; or
    - (b) would constitute a breach of this Agreement;
    - (c) makes any Company Warranty false or inaccurate; and
  - (6) maintains adequate insurance (of a type and for amounts which would be maintained in accordance with prudent business practice) of its business and its assets.
- 4.2 From the date of this Agreement until Tranche 2 Completion, the Company must, unless the Subscriber otherwise agrees, ensure that each of the Group Companies does not:
- (1) take any action or omit to take any action, the result of which would have a material and adverse effect on its financial position or performance, or that would otherwise constitute a breach of this Agreement;
  - (2) acquire, dispose of or agree to acquire or dispose of an asset with a value in excess of USD250,000;
  - (3) cease operating any of its undertakings or make any substantial change in the operations of any of its undertakings;

- (4) enter into or resolve to enter into any compromise, arrangement, scheme or other form of arrangement with a creditor, receiver, receiver and manager, administrator or other controller in relation to any of its assets or undertakings;
- (5) allot or issue, or agree to allot or issue, any shares or other securities (including any options or other securities convertible into shares) in its capital, excluding:
  - (a) the issue of securities under any employee share scheme;
  - (b) any issue of securities upon the exercise of options or other convertible securities which were issued prior to the date of this Agreement; and
  - (c) any issue of securities at the same or higher price than the higher of the Tranche 1 Subscription Price and the Tranche 2 Subscription Price and which issue is undertaken for the purposes of funding the remaining balance of the total Project cost;
- (6) redeem, buy back, reduce or cancel any shares or other securities in its capital;
- (7) vary or cancel any rights or restrictions attached to shares or other securities in its capital;
- (8) alter (including by way of consolidation or division) its capital in any way;
- (9) modify or repeal its constitution; or
- (10) do or omit to do any thing that would make any Company Warranty false or inaccurate.

However, a Group Company may do any of these things if this Agreement expressly so provides.

## **5 Tranche 1 Completion**

### 5.1 Tranche 1 Completion will take place:

- (1) at 10.00am on the Tranche 1 Completion Date or such other time or date as the Company and the Subscriber may agree in writing; and
- (2) at the office of the Company's solicitors, Norton Rose Fulbright LLP, at 3 More London Riverside, London or such other place as the Company and the Subscriber may agree in writing, provided that the Company and Subscriber may agree in writing to hold Tranche 1 Completion virtually by electronic exchange.

### 5.2 At Tranche 1 Completion, the Subscriber must:

- (1) deliver to the Company a duly executed application form for the Tranche 1 Subscription Shares substantially in the form set out in Schedule 3; and
- (2) pay to the Company the Tranche 1 Subscription Price for the Tranche 1 Subscription Shares in immediately available funds by electronic transfer to the account nominated by the Company.

### 5.3 At Tranche 1 Completion, the Company must:

- (1) issue the Tranche 1 Subscription Shares to the Subscriber;



- (2) enter the name of the Subscriber as the registered holder of the Tranche 1 Subscription Shares in the Company's register of members together with such other particulars that may be required; and
  - (3) deliver, or procure the delivery of, at the election of the Subscriber, a CHES holding statement or issuer-sponsored holding statement in respect of the Tranche 1 Subscription Shares to the Subscriber.
- 5.4 At or before Tranche 1 Completion, the Company must ensure that a duly convened meeting of the directors of the Company is held at which a quorum of directors is present and acting throughout, and at which the directors of the Company resolve to:
  - (1) issue the Tranche 1 Subscription Shares to the Subscriber; and
  - (2) register the Subscriber as the holder of the Tranche 1 Subscription Shares.
- 5.5 The requirements of clauses 5.2, 5.3 and 5.4 are interdependent and are to be carried out contemporaneously. No delivery, payment or other event referred to in clauses 5.2, 5.3 and 5.4 will be regarded as having been made or occurred until all deliveries and payments have been made and all other events have occurred.

## **6 Tranche 2 Completion**

- 6.1 Tranche 2 Completion will take place:
  - (1) at 10.00am on the Tranche 2 Completion Date or such other time or date as the Company and the Subscriber may agree in writing; and
  - (2) at the office of the Company's solicitors, Norton Rose Fulbright LLP, at 3 More London Riverside, London or such other place as the Company and the Subscriber may agree in writing, provided that the Company and Subscriber may agree in writing to hold Tranche 2 Completion virtually by electronic exchange.
- 6.2 At Tranche 2 Completion, the Subscriber must:
  - (1) deliver to the Company a duly executed application form for the Tranche 2 Subscription Shares substantially in the form set out in Schedule 3; and
  - (2) pay to the Company the Tranche 2 Subscription Price for the Tranche 2 Subscription Shares in immediately available funds by electronic transfer to the account nominated by the Company.
- 6.3 At Tranche 2 Completion, the Company must:
  - (1) issue the Tranche 2 Subscription Shares to the Subscriber;
  - (2) enter the name of the Subscriber as the registered holder of the Tranche 2 Subscription Shares in the Company's register of members together with such other particulars that may be required; and
  - (3) deliver, or procure the delivery of, a CHES holding statement or issuer-sponsored holding statement in respect of the Tranche 2 Subscription Shares to the Subscriber.
- 6.4 At or before Tranche 2 Completion, the Company must ensure that a duly convened meeting of the directors of the Company is held at which a quorum of directors is present and acting throughout, and at which the directors of the Company resolve to:

- (1) issue the Tranche 2 Subscription Shares to the Subscriber; and
  - (2) register the Subscriber as the holder of the Tranche 2 Subscription Shares.
- 6.5 The requirements of clauses 6.2, 6.3 and 6.4 are interdependent and are to be carried out contemporaneously. No delivery, payment or other event referred to in clauses 6.2, 6.3 and 6.4 will be regarded as having been made or occurred until all deliveries and payments have been made and all other events have occurred.

## **7 Quotation and cleansing**

7.1 The Company must:

- (1) apply for quotation of:
  - (a) the Tranche 1 Subscription Shares on the ASX on or before the Tranche 1 Completion Date; and
  - (b) the Tranche 2 Subscription Shares on the ASX on or before the Tranche 2 Completion Date,

and use its reasonable endeavours to ensure that:

- (c) the Tranche 1 Subscription Shares are quoted on the ASX as soon as practicable after Tranche 1 Completion; and
  - (d) the Tranche 2 Subscription Shares are quoted on the ASX as soon as practicable after Tranche 2 Completion;
- (2) subject to clause 7.2, immediately following Tranche 1 Completion, issue a Cleansing Statement and do all things necessary to ensure that the Tranche 1 Subscription Shares can be freely traded from the Tranche 1 Completion Date without disclosure restrictions arising under Part 6D.2 of the Corporations Act;
  - (3) subject to clause 7.2, immediately following the Tranche 2 Completion, issue a Cleansing Statement and do all things necessary to ensure that the Tranche 2 Subscription Shares can be freely traded from the Tranche 2 Completion Date without disclosure restrictions arising under Part 6D.2 of the Corporations Act; and
  - (4) lodge a Cleansing Prospectus with ASIC (and the UKLA) and do all things necessary to ensure that the Tranche 2 Subscription Shares can be freely traded without disclosure restrictions arising under Part 6D.2 of the Corporations Act.

7.2 Notwithstanding the obligations in clause 7.1, if the Company is unable to issue a Cleansing Statement immediately following Tranche 1 Completion or Tranche 2 Completion (as applicable), the Company is not required to issue a Cleansing Statement and will instead lodge a Cleansing Prospectus with ASIC (and the UKLA) as soon as reasonably practicable after Tranche 2 Completion, and in any event no later than the date that is 6 months after the Tranche 1 Completion Date.

7.3 The Subscriber acknowledges and agrees that it will not offer for sale any Tranche 1 Subscription Shares or Tranche 2 Subscription Shares (as applicable) within 12 months after their issue unless such offer would not need disclosure under section 707(3) of the Corporations Act.

7.4 The Subscriber shall provide to the Company all such information as the Company may reasonably require in relation to the Subscriber for the purposes of drafting the Cleansing Prospectus, provided that prior to the publication of such prospectus the Company shall:

- (1) provide the Subscriber with a reasonable opportunity, in any case, no less than 5 Business Days to review and comment on all such information in the Cleansing Prospectus; and
- (2) take all comments made by the Subscriber in relation to such information into account in good faith when producing a revised draft of the Cleansing Prospectus.

## **8 After Completion**

### **8.1 Continuing obligation to perform**

If an obligation of any party required to be performed at Tranche 1 Completion or Tranche 2 Completion is not performed at Tranche 1 Completion or Tranche 2 Completion (as the case may be), and regardless of whether it is waived as a condition or requirement of Tranche 1 Completion or Tranche 2 Completion, the relevant party remains obliged to perform that obligation.

### **8.2 ASIC notification**

The Company must ensure that ASIC is notified, in the prescribed form, within 2 Business Days after Tranche 1 Completion or Tranche 2 Completion (as the case may be), of the occurrence of those events under clauses 5.4 and 6.4 that must be notified to ASIC under the Corporations Act.

### **8.3 Board representation**

- (1) Following Tranche 1 Completion, and subject to compliance with clauses 8.3(5) and 8.3(6), for so long as the Subscriber has a Voting Power in:
  - (a) more than 10%, but less than 15% of the Shares, the Subscriber will have the right, at any time, to:
    - (i) nominate one person to be appointed as a director of the Company, or nominate such additional number of directors as the Company and the Subscriber may agree in writing; and
    - (ii) nominate a person to replace the Subscriber's director nominee, where that person has been removed or has resigned as a director of the Company; or
  - (b) more than 15% of the Shares, the Subscriber will have the right, at any time, to:
    - (i) nominate two persons to be appointed as a director of the Company, or nominate such additional number of directors as the Company and the Subscriber may agree in writing; and
    - (ii) nominate persons to replace the Subscriber's director nominees, where any of the Subscriber's director nominees have been removed or have resigned as a director of the Company.
- (2) The Subscriber may exercise its rights under clause 8.3(1)(a)(i) or 8.3(1)(b)(i) by providing notice in writing to the Company setting out the name of each person the Subscriber would like appointed as a director of the Company.
- (3) The Subscriber may exercise its rights under clause 8.3(1)(a)(ii) or 8.3(1)(b)(ii) by providing notice in writing to the Company setting out the name of each person the

Subscriber would like to be replaced as a director of the Company and their replacement.

- (4) Upon receiving a notice under clause 8.3(1)(a) or 8.3(1)(b), the Company must do all things necessary to ensure that each person nominated is appointed as a director of the Company (subject to clause 8.3(6)), including by procuring that a board resolution is passed approving each appointment by no later than 5 Business Days after the notice is received.
- (5) Any person nominated by the Subscriber to be a director or alternate director of the Company must have appropriate skill, knowledge and experience to properly perform his or her duties as a director of the Company.
- (6) No appointment of a nominee of the Subscriber as a director of the Company will be effective until:
  - (a) that person's written consent to act as a director of the Company has been delivered to the Company in accordance with the requirements of the Corporations Act;
  - (b) that person has delivered to the Company written confirmation that the person will comply with their respective obligations under the Company's director policies; and
  - (c) that person has consented to such background verification checks as are necessary (or has otherwise provided such information to the Company) to confirm that the person is not disqualified under the Corporations Act to act as a director.
- (7) The Company must take all necessary steps to ensure that a resolution is put to holders of ordinary securities in the Company at the next annual general meeting of the Company which occurs after a notification is received to elect as director each person nominated by the Subscriber in accordance with this clause 8.3 and recommend the election of any directors nominated by the Subscriber at that annual general meeting.
- (8) If a person nominated by the Subscriber is not re-elected at an annual general meeting of the Company:
  - (a) the Subscriber may nominate another person to replace that director; and
  - (b) the Company board must not appoint a successor director to that person who is not a director nominated by the Subscriber.
- (9) If any director nominated by the Subscriber and appointed under this clause 8.3 is no longer entitled to be appointed as a director under this clause 8.3 (including, for the avoidance of doubt, as a result of the Subscriber's Voting Power in the Shares falling below 10% or 15% (as the case may be)) then, if requested by the Company, the Subscriber must procure the prompt resignation of that nominee director.
- (10) The Company acknowledges and agrees that any director nominated by the Subscriber and appointed under this clause 8.3 may appoint a person to act as an alternate director in place of the appointing director for a meeting or for a specified period of time.

#### 8.4 **Committee representation**

For so long as the Subscriber has a right to nominate one or more directors under clause 8.3, at least one of those directors shall be appointed to serve on any committee of the board of the Company (including the Audit Committee, Technical and Risk Committee, and Remuneration and Nomination Committee), provided that those directors satisfy the eligibility criteria for such committee.

#### 8.5 **Information, audit and access rights**

For so long as the Subscriber has a right to nominate one or more directors under clause 8.3, the Company shall provide to the Subscriber on a timely basis:

- (1) draft copies of the Company's annual audited and interim quarterly and half yearly (unaudited) financial statements at the same time as they are provided to the board;
- (2) draft copies of the Company's budget at the same time as they are provided to the board;
- (3) the right to audit and inspect any information relating to any of the Group Companies reasonably required by the Subscriber; and
- (4) access during normal business hours to attend any premises from which the Group conducts its business to view how the Business is being conducted.

#### 8.6 **Disposal of Subscription Shares**

The Subscriber acknowledges and agrees that it is a strategic investor in the Company and that it will consult in good faith with the Company prior to any disposal of the Tranche 1 Subscription Shares or the Tranche 2 Subscription Shares by the Subscriber to ensure that such disposal occurs in an orderly manner and ensure there is an orderly market for the Shares.

#### 8.7 **Participation rights**

- (1) The rights granted to the Subscriber pursuant to this clause 8.7 are subject to and conditional upon the satisfaction of any requirements of the ASX Listing Rules (including obtaining relevant shareholder approval) and the Company obtaining from ASX a waiver of ASX Listing Rule 6.18 to the extent necessary for the operation of clauses 8.7(2) to 8.7(9) on terms satisfactory to both parties, acting reasonably (**ASX Waiver**). If the ASX Waiver is not obtained or any ASX Listing Rule requirements are not satisfied on or before the date that is 4 months after the date of this Agreement, the Company shall not be required to grant to the Subscriber the rights proposed by this clause 8.7. The Company will use its best endeavours to obtain the ASX Waiver on or before the date that is 3 months after the date of this Agreement.
- (2) Subject to clause 8.7(8) and the terms of the ASX Waiver, on and from the date commencing on the Tranche 1 Completion Date, the Company shall not conduct an issue of Shares (including as a result of the exercise of any options to acquire Shares, the conversion of securities convertible into Shares or any other instruments granted after the date of this Agreement that provide the holder with a right to obtain Voting Power in the Company) (**Future Issue**) to a person other than the Subscriber (that person being the **Proposed Subscriber**) unless the Company has first complied with this clause 8.7.
- (3) If the Company wishes to conduct a Future Issue, it must first give notice in writing to the Subscriber (**Company's Notice**) specifying the terms of the proposed Future

Issue and offering to the Subscriber that number of Shares which would enable the Subscriber to maintain the same Voting Power in the Company after the proposed Future Issue (**Subscriber Offer Shares**). The offer of Subscriber Offer Shares must be on equivalent terms (**Subscriber Offer Terms**) in all material respects as the terms of the offer to the Proposed Subscriber, including as to the consideration payable per Share.

- (4) The giving of a Company's Notice will constitute an offer by the Company (**Company's Offer**) to issue the Subscriber Offer Shares to the Subscriber on the Subscriber Offer Terms, and shall be deemed to incorporate mutatis mutandis the provisions set out in clause 2 of this Agreement. The Company's Offer will be irrevocable until it terminates in accordance with clause 8.7(5).
- (5) If:
  - (a) within 5 Business Days after the Company's Notice, the Subscriber has failed to notify the Company that it accepts the Company's Offer to subscribe for the Subscriber Offer Shares; or
  - (b) at any time, the Subscriber notifies the Company that it does not wish to subscribe for the Subscriber Offer Shares,then the Company's Offer will terminate and the Company is entitled to issue to the Proposed Subscriber the Shares the subject of the Future Issue without Subscriber participation, provided that the terms are no more favourable to the Proposed Subscriber than the Subscriber Offer Terms.
- (6) If the Subscriber accepts the Company's Offer within 5 Business Days after the Company's Notice, then, upon completion of the issue to the Proposed Subscriber, the Company must as soon as practicable (and subject to sub-clause (9) below) issue the Subscriber Offer Shares to the Subscriber on the Subscriber Offer Terms.
- (7) Where the terms of the Future Issue provide for all or a portion of the consideration from the Proposed Subscriber to be provided in a form other than cash, then the Company will, acting reasonably and in good faith, determine a cash equivalent consideration for the purposes of the Company's Offer and the operation of this clause 8.7.
- (8) Clauses 8.7(2) to 8.7(7) do not apply to the issue of any Shares pursuant to:
  - (a) the exercise or conversion of any Share Equivalents on issue in the Company as at the date of this Agreement as shown in Schedule 5;
  - (b) a pro rata entitlement offer to the Company's shareholders; or
  - (c) any Company employee or executive plans, consistent with past practice.
- (9) The parties acknowledge and agree that notwithstanding any other provision of this Agreement:
  - (a) the rights granted by the Subscriber pursuant to this clause 8.7 are subject to and conditional upon the Subscriber's Voting Power in the Shares being 10% or more;
  - (b) to the extent the total number of Subscriber Offer Shares are unable to be issued in accordance with ASX Listing Rule 7.1 without the approval of the Company's shareholders, the Company's Offer and Subscriber Offer Terms must each be conditional on receipt of approval of the Company's shareholders in accordance with ASX Listing Rule 7.1;

- (c) the Company is under no obligation to allot or issue the Subscriber Offer Shares to the Subscriber under this clause 8.7, until the Subscriber has delivered to the Company reasonable evidence that the Subscriber has obtained all required approvals to subscribe for the Subscriber Offer Shares under the *Foreign Acquisitions and Takeovers Act 1975* (Cth); and
- (d) the Company is not required to seek shareholder approval for the purposes of item 7 of Section 611 of the Corporations Act and any Company's Offer will be limited to the extent necessary to ensure that no such shareholder approval is required.

## **9 Warranties**

### **9.1 Company Warranties**

- (1) The Company warrants to the Subscriber that each Company Warranty is true and accurate in all material respects on the date of this Agreement and will remain true and accurate in all material respects until Tranche 2 Completion and on Tranche 2 Completion. Each Company Warranty is a separate warranty in no way limited by any other Company Warranty.
- (2) The Company indemnifies the Subscriber against all Loss arising from or connected with a breach of this Agreement, including any Company Warranty.

### **9.2 Subscriber Warranties**

- (1) The Subscriber warrants to the Company that each Subscriber Warranty is true and accurate in all material respects on the date of this Agreement and will remain true and accurate in all material respects until immediately before Tranche 2 Completion. Each Subscriber Warranty is a separate warranty in no way limited by any other Subscriber Warranty.
- (2) The Subscriber indemnifies the Company against all Loss arising from or connected with a breach of this Agreement, including any Subscriber Warranty.

## **10 Limitation of liability**

### **10.1 The Subscriber acknowledges and agrees for the benefit of the Company and its Personnel that:**

- (1) in entering into this Agreement and in proceeding to Tranche 2 Completion, the Subscriber does not rely on any statement, representation, warranty, condition, forecast or other conduct which may have been made by or on behalf of the Group Companies, except the Company Warranties;
- (2) except as provided in the Company Warranties, all terms, conditions, warranties and statements, whether express, implied, written, oral, collateral, statutory or otherwise, are excluded, and the Group Companies disclaim all liability in relation to them, to the maximum extent permitted by law; and
- (3) the Subscriber must not make any Claim under or arising out of this Agreement unless it is based solely on and limited to the provisions of this Agreement (express or, in accordance with common law or equitable principles, implied),

and the Company holds the benefit of these acknowledgements and agreements for itself and on trust for each of its Personnel, and may jointly and severally enforce any such acknowledgement or agreement on behalf of itself and each of its Personnel.

- 10.2 The Company is not liable for any breach of any Company Warranty to the extent that the facts, matters and circumstances giving rise to the breach:
- (1) are fairly disclosed in this Agreement or the Disclosure Material; or
  - (2) would have been disclosed to the Subscriber had the Subscriber conducted searches as at the date preceding the date of this Agreement of records open for public inspection by ASIC, the ASX, the High Court of Australia, the Federal Court of Australia, the Federal Circuit Court of Australia, the Supreme Court of Western Australia (General Division and Court of Appeal) and the District Court of Western Australia.
- 10.3 For the purposes of clause 10.2, a fact, matter or circumstance is 'fairly disclosed' if sufficient information has been disclosed that a sophisticated investor, experienced in transactions of the nature of the Tranche 1 Subscription and Tranche 2 Subscription, would be aware of the substance and significance of the information and would be aware of the nature and extent of the breach of the Company Warranty.
- 10.4 The Subscriber may not Claim for breach of Company Warranty, and the Company will not be liable in respect of any breach of a Company Warranty, unless:
- (1) the Subscriber has provided the Company with a notice of the Claim which sets out reasonable details of the Claim (**Claim Notice**) before the date falling 12 months after Tranche 2 Completion or, if Tranche 2 Completion does not occur, after the date of the Danakali General Meeting; and
  - (2) within 6 months after the Company receives the Claim Notice, the Claim is either satisfied or settled, or the Subscriber has commenced legal proceedings against the Company in respect of the Claim.
- 10.5 Notwithstanding any provision of this Agreement, but subject to clause 10.6, the maximum aggregate amount that the Subscriber may recover from the Company for all claims for a breach of any one or more of the Company Warranties is the aggregate amount of the Tranche 1 Subscription Price and the Tranche 2 Subscription Price paid by the Subscriber to the Company for the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares.
- 10.6 Nothing in this clause 10 shall limit the liability of any person for their own fraud or fraudulent representation.

## **11 Goods and services tax**

- 11.1 In this clause 11:
- (1) **GST** means GST as defined in the **GST Act** or any replacement or other relevant legislation and regulations;
  - (2) words used in this clause which have a particular meaning in the **GST law** (as defined in the GST Act), any applicable legislative determinations and Australian Taxation Office public rulings, have the same meaning, unless the context otherwise requires;
  - (3) any reference to GST payable by a party includes any corresponding GST payable by the representative member of any GST group of which that party is a member; and



- (4) any reference to an input tax credit entitlement by a party includes any corresponding input tax credit entitlement by the representative member of any GST group of which that party is a member.
- 11.2 Unless GST is expressly included, any payment expressed to be payable under any other clause of this Agreement for any supply made under or in connection with this Agreement does not include GST.
- 11.3 To the extent that any supply made under or in connection with this Agreement is a taxable supply, the GST exclusive consideration otherwise payable for that taxable supply is increased by an amount of any GST payable in respect of that supply and that amount must be paid at the same time as the GST exclusive consideration is to be paid or provided. A party's right to payment under this clause is subject to a valid tax invoice being delivered to the recipient of the taxable supply.
- 11.4 To the extent that a party is required to reimburse or indemnify another party for a loss, cost or expense incurred by that other party, that loss, cost or expense does not include any amount in respect of GST for which that other party is entitled to claim an input tax credit.

## **12 Dividends**

- 12.1 In this clause 12, words that have a defined meaning in the Tax Act have the same meaning as in the Tax Act unless the context indicates otherwise.
- 12.2 Where the Company pays a distribution on Shares, the Company must use its best endeavours to:
  - (1) allocate franking credits on the distribution to the greatest extent franking credits are available and franking the distribution is permissible under Tax Law; and
  - (2) where a distribution is not fully franked, declare in the distribution statement that so much of the unfranked part of the distribution is conduit foreign income, to the greatest extent this is permissible under Tax Law.
- 12.3 Where the Company pays a distribution on Shares, the Company must provide a distribution statement to the Subscriber in the approved form, by the time required under Tax Law.

## **13 Termination**

- 13.1 If, before Tranche 2 Completion:
  - (1) an Insolvency Event occurs in relation to any of the Group Companies;
  - (2) the Company materially breaches a Company Warranty; or
  - (3) the Company is in material breach of any obligation on its part under this Agreement and, where that breach is capable of remedy, it is not remedied to the Subscriber's satisfaction within seven days of notice of the breach being given by the Subscriber,then, without affecting any other rights or remedies available to the Subscriber, the Subscriber may without any liability to the Company:
  - (4) if Tranche 1 Completion has not occurred, elect not to complete the Tranche 1 Subscription and terminate this Agreement; or

- (5) if Tranche 1 Completion has occurred, elect not to complete the Tranche 2 Subscription,

by giving notice in writing to the Company.

13.2 If, before Tranche 2 Completion:

- (1) an Insolvency Event occurs in relation to the Subscriber;
- (2) the Subscriber materially breaches a Subscriber Warranty; or
- (3) the Subscriber is in material breach of any obligation on its part under this Agreement and, where that breach is capable of remedy, it is not remedied to the Company's satisfaction within seven days of notice of the breach being given by the Company,

then, without affecting any other rights or remedies available to the Company, the Company may without any liability to the Subscriber:

- (4) if Tranche 1 Completion has not occurred, elect not to issue the Tranche 1 Subscription Shares and terminate this Agreement; or
- (5) if Tranche 1 Completion has occurred, elect not to issue the Tranche 2 Subscription Shares,

by giving notice in writing to the Subscriber.

## **14 Information and public announcements**

14.1 Subject to any restrictions contained in any data protection legislation and the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council of the European Union on market abuse) ("**MAR**"), and notwithstanding the duties owed by the directors to the Company, any director or directors of the Company nominated by the Subscriber under clauses 8.3(1)(a) and 8.3(1)(b) shall be entitled to disclose any information and provide relevant documents and materials about the Company to, and discuss its affairs, finances, accounts and compliance matters with, appropriate officers and senior employees of the Subscriber. Any such director or directors who is or are also a director of a Subsidiary of the Company, shall additionally be entitled to disclose any information and provide relevant documents and materials about that Subsidiary to, and discuss its affairs, finances, accounts and compliance matters with, appropriate officers and senior employees of the Subscriber. The Subscriber acknowledges, and will procure that each of its directors, officers and senior employees are aware, that it and/or they may be in possession of inside information in relation to the Company for the purposes of MAR and accordingly will be subject to the restrictions in MAR and the UK's Criminal Justice Act 1993.

14.2 Each party must:

- (1) subject always to the Company's obligations under MAR, consult with the other party in relation to any public announcement relating to this Agreement proposed to be made by or on behalf of the party; and
- (2) in good faith agree before Tranche 1 Completion on the form of any press announcement or public statement that they will each make concerning this Agreement.

14.3 Immediately after signing this Agreement, the Company will make an announcement to ASX that is in the form set out in Annexure A.

14.4 The Company acknowledges that the Subscriber will be required to lodge an initial substantial holding notice attaching a copy of this Agreement (for release by the Company on the ASX Markets Announcement Platform) in accordance with section 671B of the Corporations Act (**Form 603**) within 2 Business Days of the date of signing this Agreement. The Company acknowledges and agrees that:

- (1) disclosure of the Form 603 is permitted;
- (2) the Subscriber will not need to consult with the Company in relation to the form and content of the Form 603; and
- (3) clause 14.2 will not apply to the Form 603.

## **15 Further assurance**

15.1 Each party must at its own cost do all things (including executing or producing documents, getting documents executed or produced by others and obtaining consents) necessary or desirable to give full effect to this Agreement (including the transactions contemplated by this Agreement).

## **16 Entire agreement**

16.1 This Agreement:

- (1) contains the entire agreement, arrangement and understanding between the parties on everything connected with the subject matter of this Agreement, including the issue and subscription of the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares; and
- (2) supersedes any prior agreement, arrangement or understanding on anything connected with that subject matter.

## **17 Variation**

17.1 An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.

## **18 Waiver**

18.1 A party's failure or delay to exercise a power or right does not operate as a waiver of that power or right.

18.2 The exercise of a power or right does not preclude either its exercise in the future or the exercise of any other power or right.

18.3 A waiver is not effective unless it is in writing.

18.4 A waiver of a power or right is effective only in respect of this specific instance to which it relates and for the specific purpose for which it is given.

## **19 Costs and outlays**

19.1 Each party must pay its own costs and outlays connected with the negotiation, preparation and execution of this Agreement.

- 19.2 The Subscriber must pay all stamp duty and other government imposts payable in connection with this Agreement and all other documents and matters referred to in this Agreement when due.

## 20 Cumulative rights

- 20.1 The rights, powers and remedies provided in this Agreement are additional to those provided by law independently of this Agreement and each right, power and remedy provided in this Agreement is additional to and not exclusive of every other right, power or remedy provided in this Agreement.

## 21 Continuing obligations

- 21.1 The rights and obligations of the parties do not merge on the completion of any transaction contemplated by this Agreement. They also survive the execution and delivery of any conveyance, assignment, transfer or other document entered into for the purpose of implementing any transaction contemplated by this Agreement.

## 22 Notices

- 22.1 A notice or other communication connected with this Agreement (**Notice**) has no legal effect unless it is in writing.
- 22.2 In addition to any other method of service provided by law, the Notice may be:
- (1) sent by prepaid priority post to the address of the addressee set out in this Agreement or subsequently notified;
  - (2) sent by email to the email address of the addressee set out in clause 22.4, or subsequently notified; or
  - (3) delivered at the address of the addressee set out in this Agreement or subsequently notified.
- 22.3 If the Notice is sent or delivered in a manner provided by clause 22.2, it must be treated as given to and received by the party to which it is addressed:
- (1) if sent by post, on the 5<sup>th</sup> Business Day (at the address to which it is posted) after posting;
  - (2) if sent by email before 5:00pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
  - (3) if otherwise delivered before 5:00pm on a Business Day at the place of delivery, upon delivery, and otherwise on the next Business Day at the place of delivery.
- 22.4 The relevant email addresses for:
- (1) the Company are those of:
    - (a) Chief Executive Officer, Niels Wage: [nwage@danakali.com](mailto:nwage@danakali.com); and
    - (b) Head of Corporate Development & External Affairs, William Sandover: [wsandover@danakali.com](mailto:wsandover@danakali.com); and
  - (2) the Subscriber are those of:

- (a) Executive Director and Chief Investment Officer, Oliver Andrews: [oliver.andrews@afcafc.org](mailto:oliver.andrews@afcafc.org); and
- (b) with a copy to:
  - (i) AFC Equity Investments: [afcequityinvestments@afcafc.org](mailto:afcequityinvestments@afcafc.org); and
  - (ii) Director and General Counsel, Nana Eshun: [nana.eshun@afcafc.org](mailto:nana.eshun@afcafc.org).

## 23 No assignment

- 23.1 No party may assign or deal with or purport to assign or deal with its rights under this Agreement, or create or allow to exist any third party interest over them, without the prior written consent of the other party. A party is not required to give consent or justify the withholding of consent.

## 24 Dispute resolution

- 24.1 Any dispute, controversy or claim arising out of, relating to, or in connection with, this Agreement, including any question regarding its existence, validity or termination, shall be referred to and settled by arbitration in accordance with the rules of the London Court of International Arbitration as are in force at the date of this Agreement (**Rules**) which Rules are deemed to be incorporated by reference into this clause.
- 24.2 The parties agree that:
- (1) the seat and hearing venue of the arbitration shall be London;
  - (2) the number of arbitrators shall be three;
  - (3) they must appoint one arbitrator each and those arbitrators must appoint the third arbitrator in accordance with the Rules, who shall be the chairperson;
  - (4) the language used in the arbitral proceedings shall be English; and
  - (5) the award of the arbitral tribunal shall be final and binding on the parties.
- 24.3 The parties consent to any party to a Debt Document being joined as parties to any arbitration commenced under this Agreement.
- 24.4 The parties consent to the consolidation of any arbitrations commenced under this Agreement with any arbitrations commenced under this Agreement and any of the Debt Documents.
- 24.5 If more than one arbitration is commenced under this Agreement and any of the Debt Documents, and any party to this Agreement or one of the Debt Documents contends that two or more such arbitrations should be resolved in one set of proceedings, the arbitral tribunal appointed in the first filed proceedings (the "**First Tribunal**") shall have the power to determine, with the approval of the LCIA Court, prior to the exchange of pleadings in the first filed proceedings whether, in the interests of justice and efficiency, the proceedings shall be consolidated. The tribunal in such consolidated proceedings shall be selected as follows:
- (1) the parties to the consolidated proceedings shall agree on the composition of the tribunal; and

- (2) failing such agreement within 30 days of consolidation being ordered by the First Tribunal, the London Court of International Arbitration shall appoint all members of the tribunal within 30 days of a written request by any of the parties to the consolidated proceedings.

24.6 This arbitration agreement, including any question regarding its existence, validity or termination, is governed by the laws of England and Wales.

## **25 Governing law**

25.1 The laws of England and Wales govern this Agreement.

## **26 Counterparts**

26.1 This Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same agreement.

26.2 This Agreement is binding on the parties on the exchange of counterparts. A copy of a counterpart:

- (1) must be treated as an original counterpart;
- (2) is sufficient evidence of the execution of the original; and
- (3) may be produced in evidence for all purposes in place of the original.

## **Schedule 1**

### **Company Warranties**

#### **1 The Group Companies**

- 1.1 Each Group Company is duly incorporated and validly exists under the law of its place of incorporation.
- 1.2 The Company has full corporate power and authority to enter into this Agreement and perform its obligations under this Agreement, and to carry out the transactions contemplated by this Agreement.
- 1.3 The entry into and performance of this Agreement has been properly authorised by all necessary corporate action of the Company.
- 1.4 This Agreement constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.
- 1.5 The entry into and performance of this Agreement and each transaction contemplated by this Agreement does not and will not (with or without the giving of notice or the lapse of time or both) conflict with or result in a breach of or default under its constituent documents, or any agreement, deed, law, judgment, ruling order or decree to which it is a party or which is binding on any Group Company (including the ASX Listing Rules).
- 1.6 No Group Company is subject to an Insolvency Event.
- 1.7 The Company has been admitted to and is listed on the official lists of the ASX and the LSE.
- 1.8 The Company has not been removed from the official lists of the ASX and the LSE and no removal from the official lists of the ASX and LSE has been threatened by the ASX or LSE.
- 1.9 The Shares are admitted to quotation on the ASX and the LSE and have not been suspended from quotation and no suspension has been threatened by the ASX or LSE.
- 1.10 No legal proceedings, arbitration, mediation or other dispute resolution process is taking place, pending or threatened, the outcome of which is likely to have a material and adverse effect on the ability of the Company to perform its obligations under this Agreement.

#### **2 The Shares**

- 2.1 The Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares will rank equally in all respects with the existing issued Shares, including the payment of any distributions with a record date on or after the date of Tranche 2 Completion.
- 2.2 The Subscriber will acquire:
  - (1) at Tranche 1 Completion, the full legal and beneficial ownership of the Tranche 1 Subscription Shares; and
  - (2) at Tranche 2 Completion, the full legal and beneficial ownership of the Tranche 2 Subscription Shares.
- 2.3 The Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares will be fully paid up and free from all Encumbrances and other third party rights.
- 2.4 There is no restriction on the issue and allotment of the Tranche 1 Subscription Shares or the Tranche 2 Subscription Shares to the Subscriber.
- 2.5 All of the relevant requirements of section 708A of the Corporations Act are fulfilled such that upon the issue of the Cleansing Statement or Cleansing Prospectus referred to in

clause 7, the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares will be able to be offered for sale without disclosure to investors under Part 6D.2 of the Corporations Act from the time the Cleansing Statement or Cleansing Prospectus is issued.

- 2.6 The Company is not issuing the Tranche 1 Subscription Shares or the Tranche 2 Subscription Shares to the Subscriber for the purpose of the Subscriber selling or transferring the Tranche 1 Subscription Shares or the Tranche 2 Subscription Shares, or any interests in them.
- 2.7 The Company is in all material respects in compliance with its obligations under section 674 of the Corporations Act and ASX Listing Rule 3.1, and other than in respect of this Agreement, there is no information which the Company is withholding from disclosure to ASX in reliance upon a disclosure exemption.
- 2.8 The Disclosure Materials are accurate in all material respects. The Company has not provided any information to the Subscriber in the Disclosure Materials that it is aware is misleading in any material respect, and so far as the Company is aware, no information has been omitted that would render the Disclosure Materials misleading in any material respect. Provided that in each case, no such warranty is given in respect of any forecasts, projections, estimates or opinions contained in the Disclosure Materials.
- 2.9 As at the date of this Agreement, the capital structure of the Company is as set out in Schedule 5 and the Company has not issued or granted (or agreed to issue or grant) any other securities, options, warrants, performance rights or other instruments which are still outstanding and may convert into Shares other than as set out in Schedule 5 or pursuant to any employee share, option, right or similar scheme and it is not under any obligation to issue or grant, and no person has any right to call for the issue or grant of, any Shares, options, warrants, performance rights or other securities or instruments in the Company other than as may be contemplated in Schedule 5 or pursuant to any employee share, option, right or similar scheme.

### **3 Anti-Corruption Laws**

- 3.1 The Group Companies have at all times conducted their businesses in compliance with all applicable Anti-Corruption Laws.
- 3.2 No member of the Group Companies, or, to the best of the Company's knowledge based on reasonable enquiries, any director, officer, employee or agent associated with or acting on behalf of any member of the Group Companies has directly or indirectly:
- (1) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity;
  - (2) made, offered to make, promised to make or authorised the payment or giving of, any direct or indirect unlawful payment or improper transfer of value to any public official or any employee from corporate funds;
  - (3) violated or is in violation of any provision of any applicable Anti-Corruption Laws; or
  - (4) made or received directly or indirectly any bribe, rebate, payoff, influence payment, kickback or other unlawful payment prohibited under any applicable Anti-Corruption Laws.
- 3.3 No member of the Group Companies, or, to the best of the Company's knowledge based on reasonable enquiries, any of their respective officers, directors, employees or agents is or has been subject to any action, proceeding, litigation, claim or investigation with regard to any actual or alleged unlawful payment or violation of any applicable Anti-Corruption Law.



## **Schedule 2**

### **Subscriber Warranties**

#### **1 The Subscriber**

- 1.1 The Subscriber is duly incorporated and validly exists under the law of its place of incorporation.
- 1.2 The Subscriber has full corporate power and authority to enter into this Agreement and perform its obligations under this Agreement, and to carry out the transactions contemplated by this Agreement.
- 1.3 The entry into and performance of this Agreement has been properly authorised by all necessary corporate action of the Subscriber.
- 1.4 This Agreement constitutes a valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms.
- 1.5 The entry into and performance of this Agreement and each transaction contemplated by this Agreement does not and will not (with or without the giving of notice or the lapse of time or both) conflict with or result in a breach of or default under its constituent documents, or any agreement, deed, law, judgment, ruling order or decree to which it is a party or which is binding on the Subscriber.
- 1.6 The Subscriber is not subject to an Insolvency Event.
- 1.7 No legal proceedings, arbitration, mediation or other dispute resolution process is taking place, pending or threatened, the outcome of which is likely to have a material and adverse effect on the ability of the Subscriber to perform its obligations under this Agreement.
- 1.8 The Subscriber has sufficient financial resources to pay the Tranche 1 Subscription Price and the Tranche 2 Subscription Price to the Company in accordance with this Agreement.

#### **2 Anti-Corruption Laws**

- 2.1 The Subscriber Group has at all times conducted its businesses in compliance with all applicable Anti-Corruption Laws.
- 2.2 No member of the Subscriber Group, or, to the best of the Subscriber's knowledge based on reasonable enquiries, any director, officer, employee or agent associated with or acting on behalf of any member of the Subscriber Group has directly or indirectly:
  - (1) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity;
  - (2) made, offered to make, promised to make or authorised the payment or giving of, any direct or indirect unlawful payment or improper transfer of value to any public official or any employee from corporate funds;
  - (3) violated or is in violation of any provision of any applicable Anti-Corruption Laws; or
  - (4) made or received directly or indirectly any bribe, rebate, payoff, influence payment, kickback or other unlawful payment prohibited under any applicable Anti-Corruption Laws.
- 2.3 No member of the Subscriber Group, or, to the best of the Subscriber's knowledge based on reasonable enquiries, any of their respective officers, directors, employees or agents is or has been subject to any action, proceeding, litigation, claim or investigation with regard to any actual or alleged unlawful payment or violation of any applicable Anti-Corruption Law.

**Schedule 3  
Application for Subscription Shares**

**Danakali Ltd**  
ACN 097 904 302

**(Company)**

**APPLICATION FOR SHARES**

To: The Directors  
Danakali Ltd ACN 097 904 302  
Level 11, Brookfield Place, 125 St Georges Terrace, Perth, Western Australia

**AFC Equity Investments Limited** (registered number 118568 CI / GBL) of c/o Abax Corporate Services Ltd, 6th Floor, Tower A, 1 CyberCity, Ebene, Mauritius (**Applicant**) hereby applies for the issue to the Applicant of the following shares in the capital of the Company:

**Number of shares:** [insert]

**Class:** Ordinary shares

**Price:** \$[insert] per share

The amount of AUD [insert] (USD [insert]), using a 'AUDUSD' exchange rate of 0.6775) being the subscription amount for the shares, is paid with this application.

The Applicant agrees to be bound by the constitution of the Company.

Upon registration the Applicant will hold the shares beneficially.

**Dated:**

**EXECUTED BY  
AFC EQUITY INVESTMENTS LIMITED as APPLICANT**

**AFC EQUITY INVESTMENTS LTD**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

## Schedule 4 Use of proceeds

Completion of EPCM Phases 1 & 2	1.9
Completion of EPCM Phase 3	7.0
Total Early Procurement	9.4
Total Early Contracts	23.4
Early procurement (part of Phase 4)	<b>32.8</b>
Power detailed design	0.9
Geotechnical drilling and reporting	1.2
Total Annual Colluli Labour Cost at Start Up	1.0
Total Annual Cost for OMS	1.0
CMSC operations readiness and key appointments	<b>2.1</b>
Total Annual Cost From Organisation Design Changes	0.8
Total Annual Cost From OMS	0.1
Danakali operations readiness and key appointments	<b>1.0</b>
Transaction costs and Danakali working capital <sup>1</sup>	3.1
<b>Gross use of proceeds</b>	<b>50.0</b>

**Note:** the use of proceeds detailed above represents the Company's best estimate of the breakdown in utilisation of the amounts received by the Company for the issue and allotment of the Tranche 1 Subscription Shares and the Tranche 2 Subscription Shares. Attribution between the items may be adjusted based on the outcomes of Phases 1 & 2 of EPCM, which include a review of FEED and the development of an updated capital estimate and schedule.

<sup>1</sup> Attribution between transaction costs and Danakali working capital will depend on the amount of funds raised above the amount raised from AFC. The more funds raised from other sources, the lower the proportion of AFC proceeds that is allocated to transaction costs.

## **Schedule 5**

### **Schedule of capital**

265,587,398 fully paid ordinary shares;

500,000 unlisted options exercisable at \$0.912 and expiring 11 May 2020;

1,440,000 unlisted options exercisable at \$0.940 and expiring 19 May 2020;

1,268,215 unlisted options exercisable at \$1.031 and expiring 24 January 2022;

301,040 unlisted options exercisable at \$1.031 and expiring 24 January 2022;

583,000 unlisted options exercisable at \$1.108 and expiring 13 March 2022;

561,800 unlisted options exercisable at \$1.119 and expiring 28 March 2022;

1,450,000 unlisted options exercisable at \$1.114 and expiring 30 May 2022;

280,000 Class 1 performance rights;

800,000 Class 4 performance rights;

100,000 Class 5 performance rights;

25,000 Class 6 performance rights;

15,000 Class 7 performance rights;

65,000 Class 8 performance rights; and

1,000,000 Class 9 performance rights.

**Executed** as an agreement.

Signed for and on behalf of **Danakali Ltd**  
ACN 097 904 302 by its authorised  
representative in the presence of:

W Teunissen

Signature of witness

WIETSKA TEUNISSEN

Name of witness  
(BLOCK LETTERS)

KONINGIN EMMALAAN 3, 1405 CH, BUSSUM, NETHERLANDS  
Address of witness

Nielsen

Signature of authorised representative

NIELS WAGÉ

Name of authorised representative  
(BLOCK LETTERS)

Signed for and on behalf of **Danakali Ltd**  
ACN 097 904 302 by its authorised  
representative in the presence of:

C Grant-Edwards

Signature of witness

CATHERINE GRANT-EDWARDS

Name of witness  
(BLOCK LETTERS)

52 HAMPSHIRE STREET, EAST VICTORIA PARK, WA, 6101  
Address of witness

S Corneliu

Signature of authorised representative

SEAMUS CORNELIUS

Name of authorised representative  
(BLOCK LETTERS)

**AFC EQUITY INVESTMENTS LTD**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Executed as an agreement.**

Signed for and on behalf of **Danakali Ltd**  
ACN 097 904 302 by its authorised  
representative in the presence of:

\_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Signature of authorised representative

\_\_\_\_\_  
Name of witness  
(BLOCK LETTERS)

\_\_\_\_\_  
Name of authorised representative  
(BLOCK LETTERS)

\_\_\_\_\_  
Address of witness

Signed for and on behalf of **Danakali Ltd**  
ACN 097 904 302 by its authorised  
representative in the presence of:

\_\_\_\_\_  
Signature of witness

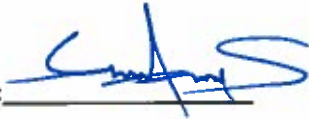
\_\_\_\_\_  
Signature of authorised representative

\_\_\_\_\_  
Name of witness  
(BLOCK LETTERS)

\_\_\_\_\_  
Name of authorised representative  
(BLOCK LETTERS)

\_\_\_\_\_  
Address of witness

**AFC EQUITY INVESTMENTS LTD**

By: 

Name: Augustus Amjorn

Title: DIRECTOR

## **Annexure A – ASX Announcement**



## US\$50M strategic investment from AFC

- AFC has agreed to make a US\$50M (A\$74M) strategic equity investment in Danakali
- Subscription price of A\$0.60 per Share represents a 5% discount to Danakali's 30-day VWAP
- Facilitates commencement of project execution activities
- On track for production during 2022

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**) is pleased to announce that it has entered into a Subscription Agreement with Africa Finance Corporation (**AFC**) for a placement of fully paid ordinary shares (**Shares**) to raise US\$50M (**Placement**).

The Placement will be part of the overall funding package used for the development and construction of the Colluli Sulphate of Potash Project (**Colluli** or the **Project**) in the Danakil Depression region of Eritrea, East Africa. Colluli is fully permitted and construction ready, with both the EPCM contract and senior debt documentation well advanced. The Placement facilitates commencement of project execution activities which places Colluli on track for production during 2022.

The Placement takes AFC's total participation to US\$150M (US\$50M in Danakali equity plus US\$100M of credit approved CMSC senior debt) demonstrating their major and long-term commitment to the Project, Danakali and Eritrea.

### Key terms of the Placement

The Placement will be undertaken in two tranches to raise a total of US\$50M (A\$74M) (subject to satisfaction or waiver of conditions precedent, set out in Appendix B)

- The first tranche will consist of approximately 53 million new Shares issued to AFC at an issue price of A\$0.60 per Share to raise A\$31.8 million (US\$21.5 million) (**Tranche 1**); and
- The second tranche, which is subject to Danakali shareholder approval and execution of senior debt documentation, will consist of approximately 70 million new Shares at the same issue price as Tranche 1 to raise the remaining A\$42.0 million (US\$28.5 million) (**Tranche 2**).

The offer price of A\$0.60 per Share represents a:

- 6% discount to Danakali's latest close price; and
- 5% discount to Danakali's 30-day VWAP.

AFC has received confirmation of approval from the Australian Foreign Investment Review Board (**FIRB**) of its application in relation to the Placement.

The Placement, upon completion of both tranches (and assuming no other issues of Shares take place prior to completion of the issue of Shares under Tranche 1) would result in AFC holding 32% of Danakali. As part of its equity investment, AFC will be granted the right to nominate up to two directors to Danakali's Board. Maintenance of these nominee Board positions will rely on AFC's Danakali ownership remaining above certain thresholds.

A summary of the key terms of the Placement and Subscription Agreement, including conditions precedent, is set out in Appendix B.



**Chief Executive Officer of Danakali, Niels Wage,** said: *“I am very pleased to have secured AFC as a strategic equity investment partner. It marks a significant milestone for Danakali and continues our momentum towards financial close. Danakali has made good progress over the past 12 months having secured a large proportion of the development capex for Module 1 and demonstrated a sustainable approach to the future development of Colluli. An investor with the reputation of AFC is a great endorsement of the project and will provide a strong platform to attract further investment. We are excited to commence project execution activities and look forward to providing updates to our shareholders and other stakeholders.”*

**Chief Executive Officer of AFC, Samaila D. Zubairu,** said: *“We assess hundreds of potential investment opportunities across Africa every year. Colluli stands apart from other opportunities due to its long life, low cost, low technical risk and proximity to infrastructure. We look forward to a cooperative alliance with Danakali in delivering the Colluli Sulphate of Potash Project.”*

### Indicative timetable

The issue of Shares to AFC under Tranche 1 is scheduled to settle on or about 9 December 2019. Admission of such Shares to the Official List (Standard Segment) and to trading on the Main Market of the London Stock Exchange is expected on or about 9 December 2019.

Completion of AFC’s subscription for Tranche 2 is subject to conditions precedent, including the approval of Danakali shareholders at a general meeting expected to be held in February 2020 and execution of the final US\$200M CMSC senior debt facility with AFC and Afreximbank (the **Facility**) documentation. Danakali will dispatch a Notice of Meeting to shareholders containing detailed information about the funding package and include an Independent Expert’s Report (**IER**).

Events	Expected date
Tranche 1 settlement	<ul style="list-style-type: none"> <li>On or about 9 December 2019</li> </ul>
Notice of Meeting materials (including IER) dispatched to shareholders	<ul style="list-style-type: none"> <li>Mid to late January 2020</li> </ul>
General Meeting to approve Tranche 2 share placement	<ul style="list-style-type: none"> <li>Late February 2020</li> </ul>
Settlement of New Shares issued under Tranche 2	<ul style="list-style-type: none"> <li>Early March 2020</li> </ul>

The above timetable is indicative only and subject to change without notice.

### Remaining project financing requirements

Danakali has previously announced credit approval for the US\$200M CMSC senior debt Facility from AFC and Afreximbank (refer ASX announcement dated 5 August 2019). The Facility, together with the Placement, represents the majority of Colluli’s Module 1 project funding requirements. Completion of Tranche 2 of AFC’s investment is conditional upon the execution of definitive documentation for the Facility.

The Company now has a clear pathway towards completing all funding for the Project and is currently well progressed with assessment of a range of options for the balance required.

### Advisers

Standard Chartered Bank is acting as corporate financial adviser to Danakali.

Norton Rose Fulbright is acting as legal adviser to Danakali.



**DANAKALI**

*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.*

*Announcement authorised for release by board of Danakali Ltd.*

For more information, please contact:

**Danakali**

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Chief Executive Officer  
+61 8 6189 8635

William Sandover  
Head of Corporate Development & External Affairs  
+61 499 776 998

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danakali@instinctif.com  
+44 (0)207 457 2020

Visit the Company's website: **[www.danakali.com](http://www.danakali.com)**

Follow Danakali on LinkedIn: **[www.linkedin.com/company/danakali-limited](http://www.linkedin.com/company/danakali-limited)**

Subscribe to Danakali on YouTube: **[www.youtube.com/channel/UChGKN4-M4IOvPKxs9b-IJvw](http://www.youtube.com/channel/UChGKN4-M4IOvPKxs9b-IJvw)**

## Appendix A: About AFC



AFC is a private sector-led investment bank and development finance institution created to help mobilise and channel required capital towards driving Africa's economic development. AFC offers a unique value proposition as an Africa-focused multilateral financial institution covering 3 complementary service areas: project development, financial advisory and principal investing. In addition to these core services AFC has significant experience and expertise in project management and will ensure that the objectives of all parties involved are met through careful monitoring of the project from beginning to end. AFC's core mission is to address Africa's infrastructure development needs while seeking a competitive return on capital for its shareholders.

For more information, visit [www.africafc.org](http://www.africafc.org).

## Appendix B: Summary of AFC Subscription Agreement

Term	Description
<b>Tranche 1</b>	
Amount	<ul style="list-style-type: none"> <li>A\$31.8M / US\$21.5M</li> </ul>
Subscription price	<ul style="list-style-type: none"> <li>A\$0.60/share</li> </ul>
Number of shares	<ul style="list-style-type: none"> <li>52,958,908</li> </ul>
Conditions precedent	<p>Tranche 1 is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>no insolvency event occurring in relation to any of Danakali or its group companies; and</li> <li>no indication being received from ASX that it will refuse to grant quotation of Shares issued under the Subscription Agreement or otherwise make quotation conditional</li> </ul>
Settlement	<ul style="list-style-type: none"> <li>On or about 9 December 2019</li> </ul>
<b>Tranche 2</b>	
Amount	<ul style="list-style-type: none"> <li>A\$42.0M / US\$28.5M</li> </ul>
Subscription price	<ul style="list-style-type: none"> <li>A\$0.60/share</li> </ul>
Number of shares	<ul style="list-style-type: none"> <li>70,042,323</li> </ul>
Conditions precedent	<p>Tranche 2 is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>Danakali shareholder approval (for the purposes of item 7, section 611 of the Corporations Act);</li> <li>the IER concluding that the issue of the Tranche 2 Subscription Shares is either (i) fair and reasonable, or (ii) not fair but reasonable;</li> <li>no indication being received from ASX that it will refuse to grant quotation of Shares issued under the Subscription Agreement or otherwise make quotation conditional;</li> <li>the Company having not used the Tranche 1 proceeds for any purpose other than agreed between Danakali and AFC;</li> <li>execution of senior debt documentation in relation to the Facility; and</li> <li>Tranche 1 completion having occurred</li> </ul>
Strategic arrangements	<ul style="list-style-type: none"> <li>AFC will have a right to nominate a maximum of two Directors to the Danakali Board as follows: <ul style="list-style-type: none"> <li>AFC holding between 10% and 15% of Danakali, one director; and</li> <li>AFC holding more than 15% of Danakali, one additional director</li> </ul> </li> <li>Subject to ASX granting a waiver from Listing Rule 6.18, anti-dilution right to participate in any new issues of shares in Danakali on the same terms as other participants provided that AFC's shareholding remains at 10% or more</li> </ul>

— — — ENDS — — —



## About Danakali

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**, or the **Company**) is an ASX- and LSE-listed potash company focused on the development of the Colluli Sulphate of Potash Project (**Colluli** or the **Project**). The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**).

The Project is located in the Danakil Depression region of Eritrea, East Africa, and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest potash deposit. The resource is amenable to open pit mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining, and is highly advantageous for modular growth.

The Company has completed a Front End Engineering Design (**FEED**) for the production of potassium sulphate, otherwise known as Sulphate of Potash or **SOP**. SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride (or **MOP**). Economic resources for production of SOP are geologically scarce. The unique composition of the Colluli resource favours low energy input, high potassium yield conversion to SOP using commercially proven technology. One of the key advantages of the resource is that the salts are present in solid form (in contrast with production of SOP from brines) which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

The resource is favourably positioned to supply the world's fastest growing markets. A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Colluli Module I SOP production.

Development Finance Institutions, Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**, together the **Mandated Lead Arrangers**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance.

The Company's vision is to bring Colluli into production using the principles of risk management, resource utilisation and modularity, using the starting module (**Module I**) as a growth platform to develop the resource to its full potential.

### Competent Persons Statement (Sulphate of Potash and Kieserite Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K<sub>2</sub>O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K<sub>2</sub>O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K<sub>2</sub>O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K<sub>2</sub>O Equiv. and 9% Kieserite of Inferred Resource.

The information relating to the Colluli Mineral Resource estimate is extracted from the report entitled "Colluli Review Delivers Mineral Resource Estimate of 1.289Bt" disclosed on 25 February 2015 and the report entitled "In excess of 85 million tonnes of Kieserite defined within Colluli Project Resource adds to multi agri-commodity potential" disclosed on 15 August 2016, which are available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

### Competent Persons Statement (Sulphate of Potash Ore Reserve)

Colluli Proved and Probable Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% K<sub>2</sub>O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K<sub>2</sub>O Equiv. Proved and 815Mt @ 10.3% K<sub>2</sub>O Equiv. Probable. The Colluli SOP Mineral Resource includes those Mineral Resources modified to produce the Colluli SOP Ore Reserves.

The information relating to the January 2018 Colluli Ore Reserve is extracted from the report entitled "Colluli Ore Reserve update" disclosed on 19 February 2018 and is available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

### Competent Persons Statement (Rock Salt Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 347Mt @ 96.9% NaCl. The Mineral Resource estimate contains 28Mt @ 97.2% NaCl of Measured Resource, 180Mt @ 96.6% NaCl of Indicated Resource and 139Mt @ 97.2% NaCl of Inferred Resource.

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled "+300M Tonne Rock Salt Mineral Resource Estimate Completed for Colluli" disclosed on 23 September 2015 and is available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the



relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

#### AMC Consultants Pty Ltd (AMC) independence

In reporting the Mineral Resources and Ore Reserves referred to in this public release, AMC acted as an independent party, has no interest in the outcomes of Colluli and has no business relationship with Danakali other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

#### Quality control and quality assurance

Danakali exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals.

The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat-sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory.

Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH, Sondershausen, Germany, utilising flame emission spectrometry, atomic absorption spectroscopy and ion chromatography. Kali-Umwelttechnik (KUTECH) has extensive experience in analysis of salt rock and brine samples and is certified according to DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungsstelle GmbH (DAR). The laboratory follows standard procedures for the analysis of potash salt rocks chemical analysis ( $K^+$ ,  $Na^+$ ,  $Mg^{2+}$ ,  $Ca^{2+}$ ,  $Cl^-$ ,  $SO_4^{2-}$ ,  $H_2O$ ) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

#### Forward looking statements and disclaimer

The information in this document is published to inform you about Danakali and its activities. Danakali has endeavoured to ensure that the information enclosed is accurate at the time of release, and that it accurately reflects the Company's intentions. All statements in this document, other than statements of historical facts, that address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, corporate transactions and events or developments that the Company expects to occur, are forward looking statements. Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices of potash and, exploitation and exploration successes, capital and operating costs, changes in project parameters as plans continue to be evaluated, continued availability of capital and financing and general economic, market or business conditions, as well as those factors disclosed in the Company's filed documents.

There can be no assurance that the development of Colluli will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this document. Recipients should make their own enquiries in relation to any investment decisions.

Mineral Resource, Ore Reserve, production target, forecast financial information and financial assumptions made in this announcement are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 23 September 2015, 15 August 2016, 1 February 2017, 29 January 2018, and 19 February 2018 which continue to apply and have not materially changed. The Company is not aware of any new information or data that materially affects assumptions made.

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Company and each of its affiliates accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement or any such statement.

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